

An Analysis on Types and Business Activities of Farmer Middlemen in Strawberry Production-A Case Study

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Abstract—Among all the types of distributors who play different roles in the vegetables and fruits distribution system, farmer middlemen have attracted increasing attention. Farmer middlemen, who hold more than 80% of the market in strawberry distribution in Jiande Strawberry Wholesale Market located in Xutang village, have fulfilled a very important function in the distribution process. The paper takes farmer middlemen in this village as a case study to clarify their types and highlight their function through systematically analyzing their business activities. Farmer middlemen's limitations and development tendency are also analyzed in the end.

Index Terms—Farmer middlemen; Distribution; Multi-family management; Mingle family management

I. INTRODUCTION

Along with the reforms and opening-door policy started in 1978, great changes have taken place in agriculture of China. Thanks to this policy, on the one hand, Chinese farmers can now produce many kinds of cash crops instead of only grain crops, and land in new crops has been increasing gradually. On the other hand, the original agricultural trading and distribution system under the framework of the government monopoly system has disintegrated. The development and strengthening of a new distribution system for agricultural product, oriented to a market economy, is very slow. At the same time, many government-managed vegetable and fruit enterprises have become bankrupt. So, under these circumstances, the farmers in

new production models are facing problems in selling their production. An improved distribution system is required for agricultural products in new production models.

Studies on distribution of vegetables and fruits after reform in China have been undertaken by Wang Zhigang, Oshima Kazutsugu, and other Chinese and Japanese experts. Wang Zhigang analyzed the activities of Cooperative Associations in transportation and sale of agricultural produce in Dazhong Temple Wholesale Market of Beijing [1]. Beijing is one of the biggest agricultural markets in China. Cooperative Associations located in Dazhong Temple Wholesale Market of Beijing, purchase fresh vegetables from all over China and sell them in this market. Transport of fresh vegetables is undertaken by a high proportion of Cooperative Association Members. Oshima Kazutsugu investigated an apple growing area at Liquan county of Shanxi province and analyzed the function of middlemen from producing and consuming area who were named “Guohang” and “Guoshang” [2]. “Guohang” only purchase apples from growers if they get orders from “Guoshang” in wholesale markets in consuming areas. In reality, purchasing activities of “Guohang” depends on “Guoshang”. Wang Zhigang and Oshima Kazutsugu conducted studies on consuming area-initiated middlemen but they did not clarify the parentage, former professions and types of the middlemen in their works.

This study analyses farmer middlemen from the producing area in Xutang village, Hangzhou city, who sell to consuming field. Huang Zuhui (2005) identified the existence of farmer middlemen but did not clarify their formation and function thoroughly [3]. Farmer middlemen in Xutang village are separate from the strawberry growers. They purchase strawberries and sell them in the wholesale markets. They rely on transport firms to carry the strawberries to customers. The attributes above are the main characters of farmer middlemen. Compared to consuming area-initiated middlemen, farmer middlemen use Xutang village as a base for their operation, and create routes for strawberry distribution to consuming areas.

So, the purpose of this paper is to clarify their types and

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function based on field investigations in Xutang village. This paper emphasizes two aspects of farmer middlemen-the first, their types including their parentage, former professions and characteristics, and second, it highlights the function and limitation of farmer middlemen through analyzing their business activities systematically. The paper also analyzes the development tendency of farmer middlemen and gives some suggestion for their development in the end.

II. FORMATION AND TYPES OF FARMER MIDDLEMEN

A. General situation of Xutang village

Xutang village is situated in Jiande county of Hangzhou city. It is located on both sides of the National Road 320 along the Xinan River and is 110 km away from Hangzhou city. This village has carried out a “Household-based Family Contract Responsibility System” since 1983. Under this system, every farmer is allocated 0.81 mu of land. In 1980s, the major crops grown in this village were paddy, wheat, rape etc.

B. Formation of farmer middlemen

Farmers in Xutang village started to plant strawberries in paddy field in 1983 on an experimental basis. There were only 5 mu of strawberries up to 1989. At that time, the main markets were on the both sides of National Road 320 and in a county town named Xin Anjiang. Along with rapid advancement of market economy in China, the agricultural produce distribution system has been developed, and production of strawberries has also expanded rapidly. There was a sharp increase in the number of new strawberry growers in the period of 1992 to 1996. The area and yield of strawberry in this village reached 1,020 mu and 1,337 tons respectively almost 34 times and 37 times greater than in 1992. For that, this village became famous as “the first strawberry village in Zhejiang Province”. Giving special importance to this village, the former vice-premier, Mr WEN Jiabao visited it in 1995.

Along with the rapid growth of strawberry production, enlarging the consuming market became an important need. But as a new cash crop in this region, there was a lack of distribution routes leading to other consuming areas, especially big cities. Strawberry production was undertaken by many small farmers, with an average of only 2 to 3 mu land, who have been differentiated into groups; <2mu, 2-3mu, and >3mu respectively. But they had no co-operative organization for marketing, so had to develop their own distribution routes. In 1994, farmers developed a route to Wenzhou City, the economy of which was developing rapidly. Next year, they developed routes to other big consuming cities in the coastal area, such as

Hangzhou and Nanjing. Then followed the markets of big cities like Beijing, Tianjin, and others. During the period when strawberry production was expanding, farmer middlemen who hold 2 to 3 mu of land for strawberry production became distributors for the crop [4].

The commencement of strawberry growing in Xutang village leads to growth by farmers in Jiande County. Strawberry planting has been extended from Xutang village to the whole county. With the expansion in production, the distribution routes from this village to the main coastal cities have been established step by step. In order to stabilize purchasing and selling activities, Jiande Strawberry Wholesale Market has been operated regularly in Xutang village from 1999. Thus, with the establishment of a marketing system, the number of farmer middlemen has been increased and the purchasing area widened to the whole county.

C. The composition and types of farmer middlemen

At present, 302 farmer middlemen in Xutang village, market 80% of the strawberries in the Jiande Strawberry Wholesale Market. Most of them are family members, relatives or friends based on blood relationship or intimacy. Initially, most farmer middlemen were also growers. With the expansion in the selling areas and quantities, some growers gradually gave up strawberry production and began to specialize in commercial activities like purchasing and selling. They are all middle school graduates and have some experience in the big cities. Usually, they have funds for business operations and are rich in commercial experiences. They are also capable of capturing market information and can analyze the quotations on the market.

The types of farmer middlemen, generally, can be divided into two. The first is a single family management and the second a multi-family management, all types are shown in Table 1. The former is mainly composed of couples with selling focus in Hangzhou, Nanjing, and other nearby cities. The latter is initiated by experienced farmer middlemen, who invite their relatives or friends to set up a multi-family management at the beginning of each harvesting season. The latter's sale areas are usually in the distant cities, such as Beijing, Tianjin, Qingdao, and other cities. Usually at least one member stays prominently in the selected consuming market during the strawberry harvesting season. In relation to funds, every family provides about 10,000 to RMB 20,000. Multi-family management arrangements have more capital than single family management because they are formed by a

number of families.

In relation to profit sharing, it is very simple for single family management because it is their own business. However, multi-family management distribute profits to members based on capital investment. Businesses operate for only half a year during the strawberry harvesting season. The members of multi-family management arrangements join together only during the strawberry seasons. The leader of every multi-family management returns all the capital investment to the members at the end of every season.

III. DISTRIBUTION ROUTES OF STRAWBERRY AND BUSINESS ACTIVITIES OF FARMER MIDDLEMEN

A. Distribution routes of farmer middlemen

Figure 1 shows the strawberry distribution routes of Xutang village used by the farmers, farmer middlemen and others. There are two routes and two kinds of middlemen-farmer middlemen and the middlemen from outside areas.

The farmer middlemen are the principal distributors in Xutang village, where the routes have gradually been set up after the establishment of Jiande Strawberry Wholesale Market. Farmer middlemen distribute 80% of the crop. In every strawberry harvest season (from the beginning of December to the end of April), farmer middlemen purchase strawberries and sell them in consuming areas. Strawberries deteriorate when it turns hot at the end of the harvesting season. As a result, they must be kept fresh and need quick transport to the markets. As the farmer middlemen cannot transport strawberries to the far distant markets as they have no cold storage facilities, they sell them to food-processing companies near Hangzhou city for jam and canned food.

The other distribution route is formed by the middlemen from outside areas. They started to purchase strawberries in Xutang village after Jiande Strawberry Wholesale Market was established in 1999. But these middlemen don't have any blood relationship or intimacy with the strawberry growers in Xutang village. Usually they purchase strawberries from Jiande Strawberry Wholesale Market and transport them to consuming areas for sale. The number of the middlemen from outside areas has been decreasing in 2006.

B. The purchasing activities in the producing area

Purchasing and selling activities of farmer middlemen are analyzed in detail, all of scenario is shown in Table 2. In many cases, male members undertake selling in consuming areas. Farmer middlemen don't possess enough funds to purchase transport trucks and rely on carriers to transport strawberries to

consuming areas. Strawberries are packed in bamboo baskets for transport to Hangzhou, Nanjing and nearby cities. Wooden boxes and plastic cases are used for transport to far away cities, such as Beijing, and Tianjin.

For single family management, the purchasing and selling activities are done by family members. Growers sort their strawberries according to the size and quality and then they are put into the bamboo baskets. Growers carry their strawberries to Jiande Strawberry Wholesale Market for sale and single family management purchases strawberry from them. Transport firms load the baskets on to the trucks and deliver them to consuming areas. Some single family operators purchase strawberries from farmers' yards. Buyers usually pay in cash and exchange the empty baskets with the farmers. In this way the quantity of strawberries they wish to purchase next day can be guaranteed. For this activity, single family operators usually hold 2,000 to 3,000 baskets to be used between the producing area and consuming area again and again. The representative in charge of selling in consuming area always puts the empty baskets used last day in order and sends them back to the producing area when the transporters return to that producing area. Multi-family management comprises two or more families (more than two members). Apart from members in charge of selling in consuming areas, all the other members are responsible for buying strawberries in the producing area. Multi-family management has a lot in common with single family management in purchasing strawberries. But, it is possible for them to purchase in larger quantity as they have both more members and funds. They visit nearby villages and purchase strawberries in farmers' yards. Multi-family management usually sell strawberries in the wholesale markets of the distant cities like Beijing and Tianjin. They pack strawberries in wooden boxes or plastic cases to prevent damage during transport. And then, they hand them to carriers to transport them to their members for sale in the wholesale markets. Transporters send the empty boxes and cases back to the producing area.

As described above, taking the producing area as the base, farmer middlemen purchase strawberries from individual farmers in Jiande Strawberry Wholesale Market or farmers' yards. Farmer middlemen transact with scattered and small-sized strawberry farmers.

C. The selling activity in consuming areas

Every farmer middlemen chooses only one wholesale sale market according to the selling situation last year and market

demand. During the strawberry harvesting season, sale representatives stay in the wholesale markets of consuming areas prominently. For single family management, except those who sell in nearby cities (going and returning the same day), one member of the family undertakers sells and stays in the consuming area prominently. However, multi-family management is quite different. The members hold a meeting to select and send one or two members to go to the chosen wholesale market in the consuming area. The selected members stay there prominently and undertake the selling in the selected wholesale market till the end of strawberry harvesting season. The sale representatives decide their sale price based on the cost and the average sale price in the market (of course, the profits they expect are also included). The sale representatives of both categories usually sell for cash to retailers, fruit stores, tea shops and supermarkets. Then the cash is posted to the members in the producing area as funds to purchase more strawberries.

The sale representatives in consuming areas also contact the members in the producing area by telephone. Everyday they exchange information on market prices, sale situation, and then decide the quantity to purchase for the next day.

IV. THE FUNCTION AND LIMITATION OF FARMER MIDDLEMEN

A. Function

The farmer middlemen, not only purchase strawberries and sell them in the wholesale markets in consuming areas, but also play a key role in the distribution of fruits and vegetables. A farmer middleman purchases strawberries only from his hometown, and sells them in one wholesale market. They use carriers to delivery their strawberries.

The main functions of farmer middlemen can be summarized into the following three points.

1) Purchase and sale

Farmer middlemen assign their members to the producing and consuming areas. Apart from members responsible for selling in consuming areas, all the others specialize in purchasing from farmers. They purchase strawberries from the farmers directly for cash in Jiande Strawberry Wholesale Market or in farmers' yards. Farmer middlemen, who are all local farmers, have blood relationship or intimacy with strawberry farmers in Xutang village and can be relied upon to purchase the strawberries each harvesting season.

Sale representatives in wholesale markets do not change their selected markets even if other markets provide higher

prices. It is impossible for farmer middlemen to change their selling markets frequently as they do not have enough funds and labor resources like shipping middlemen who take advantage of markets where prices are higher [5].

2) Decision on price setting

Farmer middlemen set selling price according to market trends in consuming areas. Prices in wholesale markets in consuming areas great influence on purchase prices paid to growers. Purchase prices change daily. However, farmer middlemen who both buy and sell and do not rely on others to purchase strawberries for them, save on commission. At this point, farmer middlemen have an advantage over middlemen from consuming areas (such as "Guoshang") in pricing [2]. To be on good terms with small retailers in consuming areas, they sometimes sell at less than average market prices. Besides, farmer middlemen settle accounts in cash, which is beneficial to withdrawal of currency. They rely on carriers to deliver the goods for them. So, the problem of lack of funds can be relieved to some extent.

3) Pricing and information exchange

As outlined above, single family operators undertake selling activities in the nearby cities sending baskets filled with strawberries to consuming areas. Multi-family management purchase larger quantities of strawberries and grade them into three sizes—small, medium and large. Then they pack them into wooden boxes or plastic cases. Farmer middlemen can adjust the purchased quantity, buying and selling prices, based on the market information exchanged between the producing area and the wholesale markets in consuming areas.

B. Limitation

However, farmer middlemen's activities are restricted to only half a year because of the seasonal nature of strawberry production. They undertake rice production for their own consumption in the other half year. The members of multi-family management work together as a group only in strawberry harvesting seasons. So, they share all the profits without keeping any rest at the end of every strawberry harvesting season. They distribute all the profits at the end of every strawberry season. As a result, the members of multi-family management groups change from season to season. They are not stable organizations which can keep operating continuously. At this point, single family operators seem more stable than multi-family management.

V. CONCLUSIONS

This study analyzed farmer middlemen from Xutang

village, Hangzhou city. It has examined types and business activities of farmer middlemen, who are indispensable to distributing strawberries from this village. Compared to the consuming area-initiated middlemen reported by other studies, farmer middlemen, who make their village as a base, have created routes for strawberry distribution from producing to consuming areas. They can be seen as producing area-initiated middlemen. Associated with the development of strawberry production in Xutang village, farmer middlemen have identified with the growers (who hold 2 to 3mu of land), and become the important distributors in the market economy. Farmer middlemen have already demonstrated their initiative in strawberry distribution in Xutang village. They have played a very important role in the development of this area. Farmer middlemen purchase strawberries from large numbers of small growers, and simultaneously sell only in one wholesale market in a selected consuming area. All activities are carried out by members of single family management or the members of a multi-family management. Furthermore, farmer middlemen are involved in preparation for marketing such as, classification, packaging, and so on. Scattered and small-sized farmer middlemen face many problems, such as, lack of fund, problems in keeping up to date with changing markets, and so on. Although multi-family management work together as a group only in one season, it can also be considered as a remarkable attempt under the changeable economic environment.

However, it is still very difficult to judge which of single family management or multi-family management will become stronger and transform themselves into established enterprises. It is certain that farmer middlemen should be organized as

stable organizations which can keep operating continuously. The form can be enterprises or co-operatives which are initiated by farmers their own. Research into how farmer middlemen would be organized will be left as a theme for future study.

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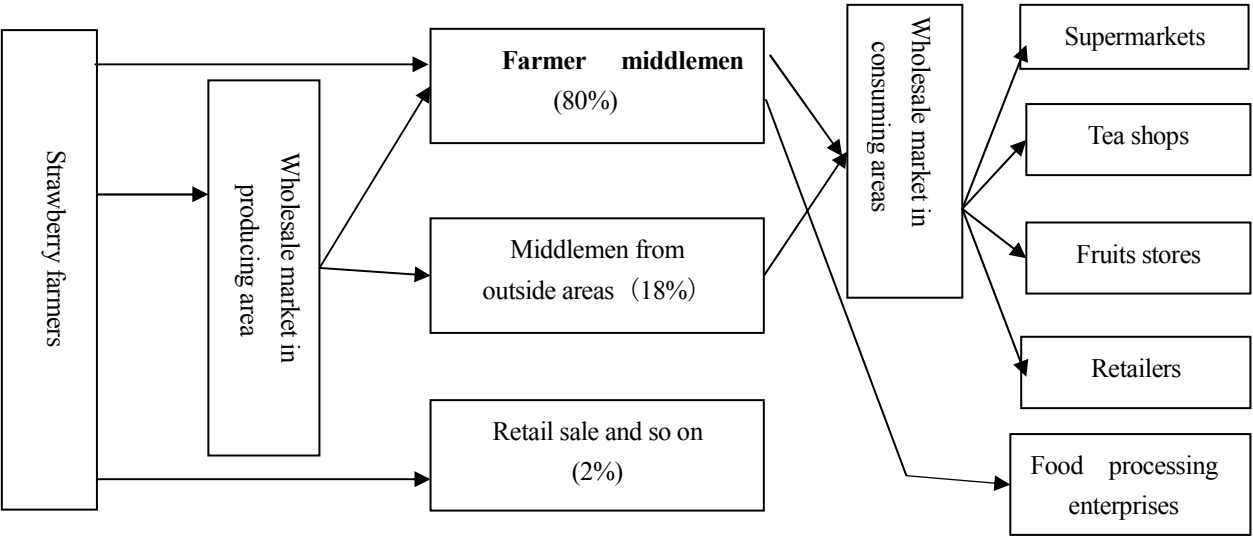


Fig.1. Strawberry Distribution in Jiande Strawberry Wholesale Market of Xutang Village

Source: Field survey (May 2005, Apr. 2006).

TABLE 1
TYPES OF FARMER MIDDLEMEN

Type	Involved persons/family	Composition	Status of staying in consuming areas	Selling places	Investment(RMB)	Sharing of Profits
Single family manage-ment	2/1 family	A couple	Daily moving	Hangzhou and other nearby cities	10,000-20,000RMB	Self-decision
	2-3/1 family	Family members	Staying prominently	Nanjing and other nearby cities	10,000-20,000RMB	Self-decision
Multi-family manage-ment	>2/2-4 families	Families,relatives, friends, etc	Staying prominently	Beijing and other distant cities	>10,000RMB/family	Group-decision
	>5/>5 families	Families,relatives, friends, etc	Staying prominently	Tianjin and other distant cities	>10,000RMB/family	Group-decision

Source: Field survey (May 2005, Apr.. 2006).

TABLE 2
GENERAL SCENARIO OF FARMER MIDDLEMEN

Types	Sl. No. of Farmers	Composition	Selling place	Distance (Km)	Transport	Load figure	Representative(s) in producing area	Representative(s) in consuming area
Single family manage-ment	№1	Husband and wife (2persons)	Hangzhou Fruits Co.Ltd	135	Commission	Bamboo Basket	Wife	Husband
	№2	Husband and wife (2persons)	Hangzhou Gengshanmen Fruits Co.Ltd	135	Commission	Bamboo Basket	Wife	Husband
	№3	Husband and wife (2persons)	Nanjing Xiaguan Ditric Fruits Wholesale Market	480	Commission	Bamboo Basket	Husband	Wife
	№4	Husband, wife and son (3persons)	Wenzhou Jiangjunqiao Fruits Wholesale Market	360	Commission	Bamboo Basket	Wife, son	Husband
Multi-family manage-ment	№5	Relatives(3 Families) (3persons)	Beijing Minguangshi Fruits Wholesale Market	1,600	Commission	Plastic case	Leader, friend	Leader's Brother (1 person)
	№6	Friends(2 Families) (4 persons)	Tianjin Hongqi Fruits Wholesale Market	1,400	Commission	Wooden box , Plastic case	Leader (a couple)	Friends (2 persons)
	№7	Relatives and friends (5 Families/10persons)	Tianjin Wuxing Fruits Wholesale Market	1,400	Commission	Wooden box , Plastic case	Leader, relatives, friends	Leader's Brother (2 persons)
	№8	Relatives and friends (10 Families/17persons)	Qingdao Changlelu Fruits Wholesale Market	1,100	Commission	Wooden box , Plastic case	Leader, relatives, friends	Friend, relative (2 persons)

Source: Field survey (May 2005, Apr. 2006).